

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2016**



Imani Chartered Accountant Inc.

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
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**MARCH 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:

**Southeast Community Futures Development Corporation**

I have audited the accompanying financial statements of **Southeast Community Futures Development Corporation**, which comprise the statement of financial position as at **March 31, 2016**, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of **Southeast Community Futures Development Corporation** at **March 31, 2016**, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Winnipeg, Canada  
July 31, 2016

*Imani Chartered Accountant*  
CHARTERED PROFESSIONAL ACCOUNTANT



**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2016**

	Operating Fund \$	Regular Repayable Investment Fund \$	Regular Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2016 \$	2015 \$
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash	63,162	42,263	557,332	17,970	79,638	760,365	426,865
Accounts receivable	27,529	-	-	-	-	27,529	24,747
Due from government agencies	17,867	-	-	-	-	17,867	15,950
Prepaid	1,258	-	-	-	-	1,258	1,227
Due from inter-funds	2,334	-	-	-	-	2,334	-
Due from Southeast Training and Employment	122,526	-	-	-	-	122,526	66,666
Due from Western Economic Diversification Canada	-	-	-	-	-	-	26,457
	<u>234,676</u>	<u>42,263</u>	<u>557,332</u>	<u>17,970</u>	<u>79,638</u>	<u>931,879</u>	<u>561,912</u>
<b>LOANS RECEIVABLE (notes 2(d), 3)</b>	-	-	<u>647,496</u>	<u>29,460</u>	<u>12,163</u>	<u>689,119</u>	<u>923,173</u>
	<u>234,676</u>	<u>42,263</u>	<u>1,204,828</u>	<u>47,430</u>	<u>91,801</u>	<u>1,620,998</u>	<u>1,485,085</u>
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable and accrued liabilities	23,000	-	-	-	-	23,000	22,500
Due to inter-funds	-	-	1,016	-	1,319	2,335	-
Due to Southeast Resource Development Council	77,233	-	-	-	-	77,233	56,217
	<u>100,233</u>	-	1,016	-	1,319	102,568	78,717
<b>REPAYABLE INVESTMENT FUNDS (notes 4)</b>	-	32,364	-	200,000	200,000	432,364	432,364
<b>DEFERRED CONTRIBUTIONS</b>	<u>72,428</u>	-	-	-	-	<u>72,428</u>	<u>72,428</u>
	<u>172,661</u>	<u>32,364</u>	<u>1,016</u>	<u>200,000</u>	<u>201,319</u>	<u>607,360</u>	<u>583,509</u>
<b>FUND BALANCES</b>							
Externally restricted	-	9,899	1,203,812	(152,570)	(109,518)	951,623	851,452
Unrestricted	<u>62,015</u>	-	-	-	-	<u>62,015</u>	<u>50,124</u>
	<u>62,015</u>	<u>9,899</u>	<u>1,203,812</u>	<u>(152,570)</u>	<u>(109,518)</u>	<u>1,013,638</u>	<u>901,576</u>
	<u>234,676</u>	<u>42,263</u>	<u>1,204,828</u>	<u>47,430</u>	<u>91,801</u>	<u>1,620,998</u>	<u>1,485,085</u>

On behalf of the Board:

 Director

Director

Director

Director

See Auditor's Report and accompanying notes

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016 \$	2015 \$
<b>OPERATING ACTIVITIES:</b>		
Excess (deficiency) of revenues over expenditures	112,062	52,372
Changes in non-cash operating working capital items:		
Accounts receivable	(2,782)	(4,088)
Due from government agencies	(1,917)	(2,717)
Contributions receivable	(31)	(125)
Due from inter-funds	(2,334)	-
Due from Southeast Training and Employment	(55,860)	101,013
Due from Western Economic Diversification Canada	26,457	(26,457)
Loan disbursements, net of repayments and provisions for loan impairments	234,054	(186,065)
Accounts payable and accrued liabilities	500	387
Due to inter-funds	2,335	-
Due to Southeast Resource Development Council	<u>21,016</u>	<u>(21,030)</u>
<b>NET INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>333,500</b>	<b>(86,710)</b>
<b>CASH BALANCE, beginning of year</b>	<u><b>426,865</b></u>	<u><b>513,575</b></u>
<b>CASH BALANCE, end of year</b>	<u><u><b>760,365</b></u></u>	<u><u><b>426,865</b></u></u>

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	Operating Fund \$	Regular Repayable Investment Fund \$	Regular Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2016 \$	2015 \$
<b>REVENUES</b>							
Western Economic Diversification Canada	317,483	-	-	-	-	317,483	317,483
Loan interest	-	-	55,635	1,558	2,258	59,451	41,014
Recovery of bad debts	-	-	41,599	-	1,108	42,707	12,651
Bank interest	186	104	1,029	64	185	1,568	2,547
Other	<u>33,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,953</u>	<u>23,987</u>
	<u>351,622</u>	<u>104</u>	<u>98,263</u>	<u>1,622</u>	<u>3,551</u>	<u>455,162</u>	<u>397,682</u>

See Auditor's Report and accompanying notes

**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	Operating Fund \$	Regular Repayable Investment Fund \$	Regular Non-repayable Investment Fund \$	Disabled Repayable Investment Fund \$	Youth Repayable Investment Fund \$	Total 2016 \$	2015 \$
<b>EXPENDITURES</b>							
Advertising and promotion	449	-	-	-	-	449	1,502
Audit	8,993	-	-	-	-	8,993	8,493
Bad debt	-	-	2,084	-	1,148	3,232	2,032
Bank and interest charges	398	-	137	-	-	535	503
Board meetings and travel	19,948	-	-	-	-	19,948	22,552
Insurance	1,242	-	-	-	-	1,242	1,291
Legal fees	-	-	-	-	-	-	(605)
Membership fees	3,000	-	-	-	-	3,000	3,000
Miscellaneous	982	-	-	-	-	982	-
Office supplies	8,730	-	-	-	-	8,730	7,632
Professional fees	97	-	-	-	-	97	-
Rent	33,862	-	-	-	-	33,862	32,900
Salaries and benefits	243,695	-	-	-	-	243,695	247,592
Staff travel	13,410	-	-	-	-	13,410	14,243
Telephone	4,925	-	-	-	-	4,925	4,175
	<u>339,731</u>	<u>-</u>	<u>2,221</u>	<u>-</u>	<u>1,148</u>	<u>343,100</u>	<u>345,310</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>							
	11,891	104	96,042	1,622	2,403	112,062	52,372
<b>FUND BALANCE, beginning of year</b>	<u>50,124</u>	<u>9,795</u>	<u>1,107,770</u>	<u>(154,192)</u>	<u>(111,921)</u>	<u>901,576</u>	<u>849,203</u>
<b>FUND BALANCE, end of year</b>	<u>62,015</u>	<u>9,899</u>	<u>1,203,812</u>	<u>(152,570)</u>	<u>(109,518)</u>	<u>1,013,638</u>	<u>901,575</u>

See Auditor's Report and accompanying notes



**SOUTHEAST COMMUNITY FUTURES DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**1. PURPOSE OF THE ORGANIZATION**

Southeast Community Futures Development Corporation is a community based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. It was originally established by Bloodvein, Brokenhead Ojibway Nation, Little Grand Rapids, Buffalo Point, Hollow Water, Black River, Berens River, Poplar River and Pauingassi First Nations for small businesses within these member First Nations and their members. The Organization was incorporated as a company without share capital under the Manitoba Corporations Act. The Organization is generally exempt from federal and provincial income taxes under the Income Tax Act in accordance with paragraph 149(1)(l).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Southeast Community Futures Development Corporation operates with most aspects of its funding subject to the control of the Government of Canada. The significant policies are explained below:

**A. FINANCIAL STATEMENT PRESENTATION**

These financial statements have been prepared in accordance with Part III - Accounting Standards for Not-for-Profit Organizations of the CICA Handbook - Accounting, issued by the Accounting Standards Board (AcSB), using the restricted fund method of accounting for contributions.

The Operating Fund accounts for the corporation's program delivery and administration activities. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund accounts for the investment activities to assist small businesses and entrepreneurs in the form of loans. Investment funds are segregated into repayable and non-repayable funds.

Outlined below are those policies considered to be particularly significant.

**B. REVENUE RECOGNITION**

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.

Restricted contributions for special purposes are deferred and recognized as revenue in the year in which the related expenditures are incurred.

Unrestricted contributions are recognized as revenue, of the Operating Fund, in the year in which they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue in the restricted investment fund when earned.

**C. REPAYABLE INVESTMENT FUNDS**

Funds received from Western Economic Diversification Canada for investment purposes are recognized as liabilities when received.

Any unencumbered cash balances in each of the Repayable Investment Funds on March 31, 2017 will be repaid to Western Economic Diversification Canada. In addition, all subsequent principal collections on loans will be repaid to Western Economic Diversification Canada until the amount of each original Repayable Investment Fund is fully repaid.



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When the original amount of each Repayable Investment Fund contribution has been fully repaid, one-half of the remaining assets of each Repayable Investment Fund shall be repaid to Western Economic Diversification Canada. However, if the realizable assets are insufficient to repay the full amount of each Repayable Investment Fund contribution, the organization's requirement to repay the full amount will be terminated once the full value of the assets credited to each Repayable Investment Fund is paid to Western Economic Diversification Canada.

**D. LOANS RECEIVABLE**

Loans receivable are stated net of an allowance for loan impairment and net of any unearned interest. Interest income is recorded on an accrual basis unless the loan is classified as an impaired loan.

Loans receivable are considered to be impaired when, in management's opinion, there is reasonable doubt as to the ultimate collectability of some portion of the principal or interest. When a loan is classified as impaired, recognition of interest in accordance with the original loan agreement ceases. Subsequent payments of interest or principal received on an impaired loan are recorded as a reduction of the recorded investment in the loan. Interest is recognized only when all allowances for loan impairment have been reversed.

Impaired loans are recorded at their estimated realizable amounts.

**E. ALLOWANCE FOR LOAN IMPAIRMENT**

The allowance for loan impairment is maintained at an amount considered adequate to absorb anticipated credit related losses. This account is increased by the provision for impaired loans, charged to income in the case of non-repayable Investment Fund loans or to the liability in the case of repayable Investment Fund loans, and reduced by write-offs, net of recoveries.

Specific provisions are established on a loan by loan basis to absorb losses on all doubtful accounts that have been identified as a result of the corporation's regular review of its loan portfolio.

Write-offs are recorded after all restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote.

**F. USE OF ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures for the year then ended. Actual results may differ from the organization's best estimates as additional information becomes available in the future. Accounts requiring estimates and assumptions include accounts receivable, accounts payable and accrued liabilities, loans receivable and allowance for loan impairments, and deferred contributions.

**G. FINANCIAL INSTRUMENTS**

The Organization has classified each of its financial instruments into the following accounting categories. The category for an item determines its subsequent accounting.

**Asset/Liability**

Cash  
 Accounts receivable  
 Accounts payable

**Category**

Held for trading  
 Loans and receivables  
 Other liabilities

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- Held for trading items are carried at fair value, with changes in their fair value recognized in the Statement of Operations.
- Loans and receivables are carried at amortized cost, using the effective interest method, net of any impairment.
- Other liabilities are carried at amortized cost, using the effective interest method.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

### 3. LOANS RECEIVABLE

	Regular Non-repayable \$	Disabled Repayable \$	Youth Repayable \$	2016 \$	2015 \$
Loans receivable	1,283,478	48,052	136,699	1,468,229	1,816,644
Less: allowance for impairment	<u>635,982</u>	<u>18,592</u>	<u>124,536</u>	<u>779,110</u>	<u>893,471</u>
Loans receivable, net	<u>647,496</u>	<u>29,460</u>	<u>12,163</u>	<u>689,119</u>	<u>923,173</u>

### 4. DESCRIPTION OF FUNDS

#### Operating Fund:

The unrestricted Operating Fund records the operating activities of the Organization.

#### Externally Restricted Funds:

##### (a) Youth Investment Fund

The corporation received a repayable Youth Investment Fund contribution of \$200,000 from Western Economic Diversification Canada to be used in the provision of loans, loan guarantees and equity investments to businesses owned by persons under the age of 29 years. The maximum amount of the loan is not to exceed \$25,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

##### (b) Disabled Investment Fund

The corporation received a repayable Disabled Investment Fund contribution of \$200,000 from Western Economic Diversification Canada to be used in the provision of loans, loan guarantees and equity investments to businesses owned by persons with disabilities. The maximum amount of the loan is not to exceed \$150,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

##### (c) Regular Repayable Investment Fund

The corporation received a Regular Repayable Investment Fund contribution of \$32,364 from Western Economic Diversification Canada to be used in the provision of loans, loan guarantees and equity investments in a new business or expansion of an existing business. The maximum amount of the loan is not to exceed \$150,000 for a term not exceeding 5 years. The minimum rate of interest will not normally be less than the prime rate plus two percent.

### 5. PENSION PLAN

The organization maintains a defined contribution pension plan for most of its employees. All contributions are fully funded on a monthly basis and are included in salaries and benefits expenditures. Funds are held "in trust" at London



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Life Insurance Co. The plan is in compliance and is in good standing with the provisions of the Pension Benefit Standards Act and the Income Tax Act of Canada.

**6. ECONOMIC DEPENDENCE**

The organization receives the majority of its funding from the Government of Canada represented by the Minister of Western Economic Diversification Canada. The organization's ability to continue viable operations is dependant upon this funding.

**7. CONTINGENT LIABILITIES**

The organization receives funding from various government agencies based on specific budgeted program needs and allocates certain expenditures to the various programs. In many cases the funding agency has the right to review accounting records to ensure compliance with the terms and conditions of their funding agreements. At this time, no estimate of the requirements, if any, to reimburse the agencies can be made. Management feels that their allocations of expenditures are fair and accurate in the circumstances.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Organization's financial instruments consist of cash, accounts receivable, due from government agencies, loans receivable, accounts payable and accrued liabilities and advances to/from related organizations. It is management's opinion that the organization is not exposed to significant liquidity, interest, currency, or market risks arising from these financial instruments. The Organization is exposed to credit risk on its loans receivable. Credit risk is when one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The fair value of these financial instruments, except for loans receivable and advances to/from related organizations, corresponds to their carrying value due to their short-term maturity. The fair value of the advances to/from related organizations is not readily determinable because of the related party nature of the balances.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been re-classed to conform with the current year's presentation.